GUIDE

Schedule K-1, explained

A Schedule K-1 shows your share of income, deductions and credits from a partnership, S-Corp, trust or estate. You don't file it alone; you report its numbers on your Form 1040, mostly on Schedule E. Partnership and S-Corp K-1s are due by March 15, or September 15 when the business extends.

QUICK FACTS

- **Comes from.** Form 1065, Form 1120-S or Form 1041
- **Due to you.** March 15 for calendar-year partnerships and S-Corps, later if extended
- **You report it.** Mostly on Schedule E of your Form 1040

What is a Schedule K-1?

Pass-through businesses don't pay income tax themselves. Instead, they send each owner a Schedule K-1 showing their share of everything: ordinary business income, rental income, interest, dividends, capital gains, deductions and credits. The owner reports those amounts on their own return and pays the tax.

There are three kinds:

K-1 FROM	FORM	SENT TO
A partnership or multi-member LLC	Form 1065	Each partner or member
An S corporation	Form 1120-S	Each shareholder
A trust or estate	Form 1041	Each beneficiary who received income

When should I get my K-1?

Partnerships and S-Corps owe K-1s by the return due date, March 15 for calendar-year businesses. If the business files an extension, the K-1 can come as late as September 15. That's why many owners with K-1s extend their own Form 1040 to October 15. Trust and estate K-1s follow the Form 1041 deadline, April 15 for calendar-year trusts.

General information, not tax advice for your situation.

How do I report a K-1 on my return?

Most of the numbers go to Schedule E, Part II for partnerships and S-Corps, or Part III for trusts and estates. Interest and dividends go to Schedule B, capital gains to Schedule D and Form 8949, and credits to their own forms. Each K-1 has instructions that say where each box goes.

Why does basis matter?

Your basis is roughly what you put in plus your share of income, minus your share of losses and what you took out. You can only deduct losses up to your basis, and distributions above it are taxed as gains. The business doesn't track this for you. S-Corp shareholders attach a basis computation (Form 7203) when they claim losses, take distributions or sell stock. Keep a running record every year.

Do I pay self-employment tax on a K-1?

Partners who work in the business usually do, on their share of ordinary income and guaranteed payments (box 14 shows it). S-Corp shareholders don't, because their pay for work runs through payroll as a W-2 salary. That difference is a big part of why owners elect S-Corp status. See our S-Corp vs LLC guide.

Common questions

Do I have to file my K-1 with my tax return?
No. You keep it for your records and report its numbers on your Form 1040. The business already filed a copy with the IRS.

What if my K-1 is late?
File an extension for your personal return by April 15 and pay what you estimate you owe. Then file once the K-1 arrives.

What if my K-1 is wrong?
Ask the business to issue a corrected K-1. Don't just change the numbers yourself, because the IRS matches your return to the K-1 it received.

Is K-1 income taxed if I didn't receive any cash?
Yes. You're taxed on your share of the profit whether or not it was distributed to you.

Want your business return done?

One fixed price, agreed before we start. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

eminenttax.com